

**Senate File 129 - Introduced**

SENATE FILE 129

BY HOGG

**A BILL FOR**

1 An Act requiring proof of financial assurance relating to  
2 accidental hazardous pipeline discharge damage claims, and  
3 including effective and applicability date provisions.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 479B.2, Code 2015, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 1A. *“Financial assurance instrument”*  
4 means an instrument submitted by an applicant to ensure the  
5 applicant’s financial capability to respond as provided in  
6 section 479B.13A, in the form of one or more of the following:

- 7 a. The establishment of a secured trust fund.
- 8 b. The use of a cash or surety bond.
- 9 c. The obtaining of insurance.
- 10 d. The satisfaction of a corporate financial test.
- 11 e. The satisfaction of a local government financial test.
- 12 f. The obtaining of a corporate guarantee.
- 13 g. The obtaining of a local government guarantee.
- 14 h. The use of a local government dedicated fund.
- 15 i. The obtaining of an irrevocable letter of credit.

16 Sec. 2. Section 479B.13, Code 2015, is amended to read as  
17 follows:

18 **479B.13 Financial condition of permittee — construction,**  
19 **maintenance, or operation damages — bond.**

20 Before a permit is granted under this chapter the applicant  
21 must satisfy the board that the applicant has property within  
22 this state other than pipelines or underground storage  
23 facilities, subject to execution of a value in excess of two  
24 hundred fifty thousand dollars, or the applicant must file  
25 and maintain with the board a surety bond in the penal sum  
26 of two hundred fifty thousand dollars with surety approved  
27 by the board, conditioned that the applicant will pay any  
28 and all damages legally recovered against it growing out of  
29 the construction, maintenance, or operation of its pipeline  
30 or underground storage facilities in this state. When the  
31 pipeline company deposits with the board security satisfactory  
32 to the board as a guaranty for the payment of the damages, or  
33 furnishes to the board satisfactory proofs of its solvency and  
34 financial ability to pay the damages, the pipeline company is  
35 relieved of the provisions requiring bond.

1     Sec. 3. NEW SECTION.   **479B.13A**   **Financial condition of**  
2 **permittee — damages for discharge.**

3     1. Before a permit is granted under this chapter for a  
4 pipeline to be constructed on or after January 1, 2015, and in  
5 addition to the requirements of section 479B.13, an applicant  
6 must provide to the board a financial assurance instrument  
7 verifying that the applicant has the financial capability to  
8 provide reasonable and necessary remedial response and to  
9 respond in damages for claims arising from the accidental  
10 discharge of hazardous liquid. The financial assurance  
11 instrument shall meet all requirements adopted by rule by the  
12 board, and shall not be issued, canceled, revoked, disbursed,  
13 released, or allowed to terminate without board approval.

14     2. For the first calendar year during which hazardous liquid  
15 is shipped, the amount of financial assurance required pursuant  
16 to this section shall be two hundred fifty thousand dollars  
17 per mile of pipeline. For the second calendar year during  
18 which hazardous liquid is shipped, and every calendar year  
19 thereafter, the amount of financial assurance required shall  
20 be the greater of one dollar per barrel of hazardous liquid  
21 shipped per calendar year by the applicant based on the most  
22 recent calendar year for which such information is available  
23 to the applicant, or two hundred fifty thousand dollars per  
24 mile of pipeline. In no event shall the amount of financial  
25 assurance required pursuant to this section in any calendar  
26 year be less than two hundred fifty thousand dollars.

27     Sec. 4. Section 479B.14, unnumbered paragraph 6, Code 2015,  
28 is amended to read as follows:

29     A pipeline company may petition the board for an extension  
30 of a permit granted under this section by filing a petition  
31 containing the information required by section 479B.5,  
32 subsections 1 through 5, and meeting the requirements of  
33 ~~section~~ sections 479B.13 and 479B.13A.

34     Sec. 5. **EFFECTIVE UPON ENACTMENT.** This Act, being deemed of  
35 immediate importance, takes effect upon enactment.



1 of credit.

2 The bill provides that the amount of financial assurance  
3 required for accidental hazardous liquid discharge liability  
4 for the first calendar year during which hazardous liquid is  
5 shipped, and shall be \$250,000 per mile of pipeline. For  
6 the second calendar year during which hazardous liquid is  
7 shipped, and every calendar year thereafter, the amount of  
8 financial assurance required shall be the greater of \$1 per  
9 barrel of hazardous liquid shipped per calendar year by the  
10 applicant based on the most recent calendar year for which such  
11 information is available to the applicant, or \$250,000 per mile  
12 of pipeline. The bill states that in no event shall the amount  
13 of financial assurance required in any calendar year be less  
14 than \$250,000.

15 The bill takes effect upon enactment and is retroactively  
16 applicable to January 1, 2015.